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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, DC 20554

Dear Mr. Caton:

RE: GEN Docket 94-90

On behalf of *Pacific Bell*, *Nevada Bell*, and *Pacific Bell Mobile Services*, please find enclosed an original and six copies of their "Comments" in the above proceeding.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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In the Matter of

Eligibility for the Specialized
Mobile Radio Services and Radio
Services in the 220-222 MHz Land
Mobile Band and Use of Radio
Dispatch Communications

GEN Docket No. 94-90

**COMMENTS OF PACIFIC BELL, NEVADA BELL,
AND PACIFIC BELL MOBILE SERVICES**

Pacific Bell, Nevada Bell and Pacific Bell Mobile
Services hereby provide comments on the Notice of Proposed
Rulemaking in the above-captioned proceeding.

In this docket, the Commission proposes to amend its
rules that prohibit wireline telephone companies from holding
SMR and 220 MHz mobile radio licenses.¹

¹ In the Matter of Eligibility for the Specialized Mobile
Radio Services and Radio Services in the 220-222 MHz Land Mobile
Band and Use of Radio Dispatch Communications, GEN Docket No.
94-90, Notice of Proposed Rulemaking, released August 11, 1994
("NPRM").

I. IT IS IN THE PUBLIC INTEREST TO ALLOW TELCO ENTRY INTO SMR SERVICES AND 220 MHZ SERVICES

We strongly support this rule change that would permit telcos to hold SMR and 220 MHz mobile radio licenses. We have urged the Commission in several other proceedings to permit us to hold SMR licenses.²

As the Commission noted, when it adopted the SMR wireline ban twenty years ago, the wireless industry was just beginning.³ Today, the market for mobile services is competitive and telco participation has the potential to increase competition rather than impede it.

The Commission notes that the wireline restriction served two purposes.⁴ One, it eliminated any incentive that telcos may have to discriminate in the offering of interconnection to a non-affiliated SMR. Two, it prevented telcos from using their market power in the local exchange market to cross-subsidize SMR services, thereby undercutting

² Regulatory Treatment of Mobile Services, GEN Docket No. 93-252, Comments of Pacific Bell and Nevada Bell, November 8, 1993, p. 11; Comments Sought on Requests to Waive Section 90.603(c) to Permit Wireless Carriers to Hold SMR Licenses, Comments of Pacific Bell and Nevada Bell, May 20, 1994.

³ NPRM, para. 16.

⁴ Id. at para. 18.

potential competition. However, as the Commission explains, with respect to both of these issues competitive safeguards exist.⁵

Finally, the Commission notes that the SMR industry is sufficiently well established that telco entry is unlikely to have a chilling effect.⁶ We agree. There are many well-established players, both large and small. Telco entry at this point will only serve to increase competition, not hinder it.

II. STRUCTURAL SEPARATION REQUIREMENTS SHOULD NOT BE IMPOSED ON TELCOS PROVIDING SMR SERVICE

The Commission requests comment on whether to impose structural separation requirements on wireline carriers providing SMR or commercial 220 MHz service.⁷

In the PCS proceeding the Commission concluded that there was no need to require that PCS be provided through a separate subsidiary.⁸ The Commission determined that structural

⁵ Id.

⁶ Id. at para. 21.

⁷ Id. at para. 27.

⁸ In the Matter of Amendment of the Commission's Rules to Establish New Personal Communications Service, Second Report and Order, 8 FCC Rcd 7700, para. 126 (1993).

separation would seriously undermine the ability of LECs to take advantage of potential economies of scope and would jeopardize other public interest benefits of wireline participation in PCS.⁹

In the Commission's policy paper on PCS, the Commission concluded that overlaying the PCS network with the existing telephone network as well as using existing telephone company personnel and facilities to bill and administer PCS as well as maintain the network would result in significant cost savings.¹⁰ The same is true with respect to SMR services. However, much of these savings would be lost if SMR must be provided through a separate subsidiary. In the context of enhanced services the Commission also concluded structural separation was not in the public interest.¹¹ There is nothing

⁹ Id.

¹⁰ "Putting It All Together: The Cost Structure of Personal Communications Service," David P. Reed, Office of Plans and Policy, Federal Communications Commission, November 1992, pp. 30, 43.

¹¹ In the Matter of Computer III Remand Proceedings: Bell Operating Company Safeguards and Tier I Local Exchange Company Safeguards, CC Docket No. 90-623, Report and Order, 6 FCC Rcd 7571, para. 8 (1991). "Essentially, structural separation prevents the BOCs from using their substantial resources to provide enhanced services, requiring instead separation and/or duplication of facilities and personnel to provide both enhanced and basic services. It imposes direct monetary costs and results in loss of efficiencies and economies of scope."

unique about SMR services or 220 MHz services that argues for requiring SMR services to be provided in a separate subsidiary.

It is in the public interest to permit telcos to hold SMR licenses and 220 MHz services. SMR service is provided by well-established providers. Entry by telcos will enhance competition and consumers will benefit. As with PCS, the existing network and support systems will provide economies of scope and scale. The Commission should not diminish those economies of scope and scale by requiring that SMR and/or 220 MHz services be provided through a separate subsidiary.

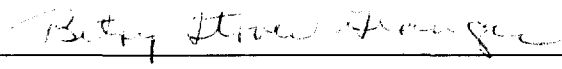
III. CONCLUSION

Wireline common carriers, by virtue of their customer-focused communications design, construction and operation experience, and human and financial resources, are ideally suited to provide SMR service. The public interest will

be served by removing an artificial barrier to entry with respect to SMR and 220 MHz services.

Respectfully submitted,

PACIFIC BELL
NEVADA BELL
PACIFIC BELL MOBILE SERVICES



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